DEC
SUSAN WILLIAMS SCANN, ESQ.
Nevada Bar No. 000776
PAUL R. CONNAGHAN, ESQ.
Nevada Bar No. 003229
DEANER, DEANER, SCANN, MALAN & LARSEN
720 South Fourth Street, Suite #300
Las Vegas, Nevada 89101 (702) 382-6911
Attorney for Party In Interest
Franklin/Stratford Investment LLC

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF NEVADA

In re: USA COMMERCIAL MORTGAGE COMPANY, Debtor	Case No. BK-S-06-10725 LBR Case No. BK-S-06-10726 LBR Case No. BK-S-06-10727 LBR Case No. BK-S-06-10728 LBR Case No. BK-S-06-10729 LBR
In re: USA CAPITAL REALTY ADVISORS, LLC. Debtor	Chapter 11 Jointly Administered Under Case No. BK-S-06-10725 LBR
In re: USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC. Debtor	Date of Hearing: OST Requested Time of Hearing: OST Requested
In re: USA CAPITAL FIRST TRUST DEED FUND, LLC. Debtor	Affects: USA Commercial Mortgage Company USA Capital Diversified Trust Deed Fund, LLC USA Capital First Trust Deed Fund, LLC
In re: USA SECURITIES, LLC. Debtor	

DECLARATION OF GARY BUENTGEN IN SUPPORT OF DEBTORS' MOTION FOR AUTHORITY TO FORBEAR AND TO PROVIDE FURTHER FUNDING FOR CERTAIN OUTSTANDING LOANS AS IT RELATES TO FRANKLIN\STRATFORD INVESTMENT, LLC

GARY BUENTGEN, under penalties of perjury, hereby declares on this 8th day of June, 2006 that:

1. I make this Declaration based upon my own personal knowledge and in support of the

DEANER, DEANER, SCANN, MALAN & LARSEN
720 South Fourth Street, Suite 300
Las Vegas, Nevada 89101
Telephone (702)382-6911•Facsimile (702)366-0854

Debtors' Motion For Authority to Forbear and to Provide Further Funding for Certain Outstanding Loans as it relates to Franklin\Stratford Investment, LLC.

2. My Declaration is based upon a combination of (1) my 28 years experience as an industrial broker (14) years in Southern California, and 14 years in Boise/Meridian, Idaho (2) my knowledge of where this market has been, where it is today and where I think it is going, (3) discussion with other industrial brokers, (4) articles in national business periodicals and (5) articles in local newspapers.

3. In a "nutshell" this market (focusing on Meridian) has very few industrial/commercial **lots** available for sale and virtually no industrial/commercial **buildings** for sale and/or lease. I know this statement is true, because I have brokered most of these transactions in recent history. Meridian is in the "crosshairs" of the Treasure Valley in terms of activity and population and these lots and buildings are in the heart of the crosshairs (which is a very good place to be).

4. Lots: Having said that, since the start of my marketing efforts, I have entertained many prospective buyers for the lots on Franklin Road and Watertower Lane. However, since we have a high dollar price on these lots, i.e. $7.50 to $11.00 per sq. ft., most buyers do not "step up to the plate" and purchase. It is not that they have other options; they just do nothing because they feel the price is too high. But, prospective buyers who need to do something (like the buyers for Lots 21, 25 and 27) will buy because they have no other good options. The asking prices we have for the various lots are high, but I think they will all sell for either the asking price or, at most, $1/SF less over the next nine (9) months or so. I believe this should net approximately $1,575,000.00 prior to commissions for the remaining lots after the sale of Lots 21, and 25 (this would include Lot 27).

5. Buildings: - We virtually have no buildings for sale or lease in Meridian. Once in a while an older building will become available, but it is removed from the market readily. We absolutely do not have any new buildings with fenced yards (like Bldg. #1 and #3). Now that (1) Spring has "sprung" and (2) all three (3) buildings are nearing completion, the activity level has

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Las Vegas, Nevada 89101
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increased substantially. Of all my listings, these three (3) buildings are generating the most interest. Similar to the lot sales, we are asking high dollars lease and sale prices and it is just a matter of time before the buyers and/or tenants make a move on these buildings. Since all three (3) buildings are divisible, I recently created ten (10) various sale/lease possible Sq. Ft. scenarios so we can accommodate requirements anywhere from 4,678 Sq Ft. to 18,838 Sq. Ft. At the end of the day, where will we eventually be with the lease rates and sale prices? That question is harder to answer because we've yet to make our first deal and the marketing activity is just starting to heat up due to the foregoing reasons. By contrast, I had a much longer "lead time" to observe the marketing results for the lots. But, I will forecast the following: we may have to come off our asking sales prices above $100 per Sq. Ft. by $3 to $4 dollars and asking lease rates $.05 to $.10/SF to make some deals before year-end. I believe this should net your partnership approximately $4,8000,000.00 before commissions.

Dated this 8 day of June, 2006.

GARY BUENTGEN

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In re: USA SECURITIES, LLC. Debtor	

DECLARATION OF ROBERT RUSSELL IN SUPPORT OF DEBTORS' MOTION FOR AUTHORITY TO FORBEAR AND TO PROVIDE FURTHER FUNDING FOR CERTAIN OUTSTANDING LOANS
<u>AS IT RELATES TO FRANKLIN\STRATFORD INVESTMENT, LLC</u>

ROBERT A. RUSSELL, under penalties of perjury, hereby declares on this 8th day of June, 2006 that:

1. I am the Manager of Franklin /Stratford Investments LLC, an Idaho Limited Liability

Company ("Borrower" or "Franklin/Stratford"). I make this Declaration based upon my own personal knowledge and based upon the regularly kept books and records of Franklin/Stratford Inc., LLC. I personally have over 37 years of experience managing the construction of warehouse projects such as this.

2. On March 30, 2005, Debtor USA Commercial Mortgage Company ("USACM") as servicer originated a construction loan to Franklin/Stratford Investment LLC ("Franklin/Stratford Loan"). A copy of the construction loan agreement dated March 30, 2005 (the "Loan Agreement") is attached hereto as Exhibit "1" and incorporated by reference. Sections 3.1 and 3.2 of the Loan Agreement provide that the original principal amount of the Franklin/Stratford Loan was $2,500,000.00 and USACM as Servicer had the "exclusive right, but not the obligation, to increase the Loan Amount to an amount not to exceed Six Million Two Hundred Thousand Dollars ($6,200,000.00)." Exhibit "B" to the Loan Agreement has an approved construction budget for the Project of $6,200,000.00. Franklin/Stratford paid $186,000.00 in points for this loan at its inception.

3. The Franklin/Stratford Loan is being used for the construction of three warehouse building totaling 48,478 sq. ft. on twelve acres of land in Meridian, Idaho (near Boise) (the "Project"). 7.6 acres of the land (the "Excess Collateral") will not be used in conjunction with the three buildings and will be sold.

4. Since March 30, 2005, there have been nine amendments to the Loan Agreement, and the Loan Amount has been increased pursuant to these amendments. The most recent amendment, the Ninth Amendment to Loan Documents, is dated March 17, 2006, and increased the Loan Amount to $5,225,000.00 The Lenders under the Ninth Amendment are USA Capital First Trust Deed Fund for $4,215,000.00 of the principal balance, and USA Capital Diversified Trust Deed Fund for $1,010,000.00 of the principal balance. The $5,225,000.00 principal balance has all been disbursed to Borrower. Attached hereto as Exhibit "2" is the Ninth Amendment.

5. The Project land was acquired for the price of approximately $4.01 per sq. ft. Two parcels of the Excess Collateral have been placed under contract to sell, one 2.51 acre parcel at a

DEANER, DEANER, SCANN, MALAN & LARSEN
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price of approximately $7.40 per sq. ft. and one 1.168 acre parcel at $8.00 per sq. ft. There is also substantial interest in the remaining vacant lots for the Excess Collateral, with the frontage lots on Franklin Street in the $8.00 + range and the remaining interior lot at the $6.75 per sq. ft. range.

6. The project contracted to construct the three buildings with Petra, Inc., of Boise, Idaho. The total cost of the construction is $2,326,789.93. $1,441,853.26 has been paid to date with a remaining balance due of $864,936.67. The buildings are very close to completion. Petra is now over two months in arrears in their construction payments and has stated to me that they will walk off the job and lien the property if they are not paid from the pending sale discussed below.

7. The result of this will be having three buildings that are not complete and which Franklin/Stratford would have great difficulty selling them for their full value to pay off the Franklin/ Stratford Loan for two reasons: one, the buildings are not complete, and, two, there would be liens filed on the property. This would also irreparably damage the reputation of the Project and would ruin the marketing efforts. In essence, the Project marketing would be halted and the Project, although almost fully funded, would be thrown into default, although the total cost of construction ($2,326,789.93) is within the Building Shell amount for construction the Exhibit "B" Approved Budget in the Loan Agreement ($2,390,250.00). Attached hereto as Exhibit "3" is a construction reconciliation showing the amounts paid and the amount remaining due to the general contractor.

8. Prior to its bankruptcy filing, USACM as servicer had funded only $5,225,000 on the Franklin Stratford loan and had not exercised its right to increase the Loan Amount by the additional $975,000.00 which USCAM had the exclusive right to fund. Without these funds, Franklin/Stratford cannot pay the general contractor.

9. The Project itself contains a simple solution. A land sale of 2.51 acres of the Excess Collateral is set to close on June 19, 2006. A copy of the Agreement of Sale is attached hereto as Exhibit "4" and incorporated by reference herein. The price of the land is $810,000.00. The net proceeds of the land sale after real estate commissions and costs of sale are approximately $745,000.00. Franklin/Stratford will pay the remaining balance of $119,063.33 owed to the general contractor from existing cash resources held in the LLC accounts. This can happen if the land held

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as excess collateral for the loan is released from the Debtors' deed of trust and Franklin/Stratford is allowed to use the proceeds of the sale of its Property to pay the contractor. All the dollars remain in the project as equity and none are being distributed to any other party than the contractor. This is not due to any cost over-runs. This will also make it unnecessary for USCM to fund the remaining dollars under the commitment.

10. Although these proceeds would have been used to pay down the Franklin/Stratford Loan, these proceeds are needed to preserve the value of all of the Franklin/Stratford Loan collateral. The results of paying the contractor and keeping the Project intact are much more favorable and do not reduce the collateral value as the dollars are remaining in the Project. All the proceeds are being used in the Project and protect and enhance the value of the remaining collateral. This enables the remaining buildings to be sold to pay off the remaining Franklin/Stratford Loan. The anticipated time frame for the sale of the buildings and payoff of the Franklin/Stratford Loan is by the end of the first quarter of 2007.

11. After this sale is completed, the value of the remaining vacant land parcels based on current sales, including the 1.168 acre parcel currently under contract, is approximately $1,573,000.00 This should net, prior to loan payoff, approximately $1,525,000.00 to the LLC when the parcels are sold.

12. The buildings are being marketed at a price totaling approximately $4,870,000.00. This should net, prior to loan payoff, to the LLC approximately $4,530,000.00 after commissions and costs of sale. Together, the building sales and the land sales should net, prior to loan payoff, approximately $6,055,000.00 to Franklin/Stratford. The value prior to commissions and closing costs is approximately $6,443,000.00. The existing loan balance is $5,225,000.00 plus May accrued interest, resulting in equity in the completed Project of $1,218,000.00.

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13. If this sale does not close as scheduled, we may lose the buyer entirely.

Dated this 8th day of June, 2006.

ROBERT A. RUSSELL

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